

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 STR-04 TRSE-00 EB-07 AID-05 L-03 IGA-02

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FM AMEMBASSY NEW DELHI

TO USDA/WASHDC

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LIMITED OFFICIAL USE NEW DELHI 2538

USDA PASS FAS

EO 11652: NA

TAGS: EAGR, EAID, IN

SUBJ: PL 480 TITLE I FOOD AID FOR INDIA

REF: LOU STATE 36378

PER INSTRUCTIONS REFTTEL, WE HAVE NOT CONSULTED WITH GOI
RE INCLUSION OF RICE IN TITLE I FOODGRAIN PACKAGE.

HOWEVER, WE BELIEVE GOI WOULD NOT BE RECEPTIVE TO RICE
FOR FOLLWONG REASONS:

1. EXPECTATION THAT THEIR 1975-76 RICE HARVES WILL EXCEED
PREVIOUS RECORD OF 44 MILLION METRIC TONS;

2. DOMESTIC PROCUREMENT OF RICE IS WELL ABOVE THAT OF LAST
YEAR. OVER 4 MILLION TONS HAS BEEN PROCURED AND THE TOTAL IS
EXPECTED TO EASILY REACH 4.5 IF NOT 5 MILLION. THE SHARP
DECLINE IN GRAIN PRICES HAS BROUGHT RETAIL PRICES ON THE
OPEN MARKET TO LEVELS BELOW THOSE IN THE FAIR PRICE
RATION SHIPS IN MANY AREAS. THIS HAS REDUCED THE
OFF-TAKE INTO THE DISTRIBUTION SYSTEM.

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3. IMPORTS OF 7.4 MILLION METRIC TONS OF FOODGRAINS IN CY 75

PLUS DOMESTIC PROCUREMENT OF AROUND 8 MILLION METRIC TONS OF RICE, WHEAT, AND COARSE GRAINS FROM FOODGRAIN CROPS HARVESTED DURING CY 1975 HAS PLACED A STRAIN ON AVAILABLE STORAGE FACILITIES. THE OUTSTANDING COMMITMENTS FOR

WHEAT IMPORTS PLUS PROSPECTS OF A GOOD WHEAT HARVEST COMMENCING NEXT MONTH WILL CREATE FURTHER PRESSURES TO FIND AND ESTABLISH NECESSARY STORAGE.

4. IN BUILDING UP FOODGRAIN RESERVES, THE GOI MINISTER OF AGRICULTURE AND IRRIGATION HAS INDICATED THE EMPHASIS IS TO BE ON STOCKPILING OF WHEAT. INDIAN OFFICIALS TAKE THE VIEW THAT THE COUNTRY IS ESSENTIALLY SELF-SUFFICIENT IN RICE PRODUCTION. THIS IS NOT TRUE WITH WHEAT, FOR WHICH CONSUMER DEMAND IS GRADUALLY EXPANDING.

5. THE GOI RECENTLY DECLINED TO PURCHASE THE REMAINING 60,000 TONS OF RICE UNDER A PROTOCOL WITH THAILAND AT \$198 A TON. A LOWER PRICE WILL PROBABLY BE NEGOTIATED. PURCHASES BY INDIA OF SMALL QUANTITIES OF RICE FROM THAILAND AND NEPAL ARE MAINLY FOR POLITICAL AND TRADE CONSIDERATIONS RATHER THAN ON THE BASIS OF NEED.

6. FINALLY, GIVEN THE PRICE DIFFERENTIAL BETWEEN RICE AND WHEAT WHICH FAVORS THE LATTER, THE GOI CAN BE EXPECTED TO OPT FOR WHEAT.
SAXBE

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